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**SENATE BILL 5564**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senators Fortunato, King, O'Ban, and Hawkins

AN ACT Relating to vehicle taxation; amending RCW 82.08.020, 82.38.030, and 46.68.090; creating a new section; repealing RCW 46.68.080, 82.38.010, 82.38.020, 82.38.030, 82.38.031, 82.38.032, 82.38.033, 82.38.035, 82.38.050, 82.38.055, 82.38.060, 82.38.065, 82.38.066, 82.38.072, 82.38.075, 82.38.080, 82.38.090, 82.38.100, 82.38.110, 82.38.120, 82.38.140, 82.38.150, 82.38.160, 82.38.170, 82.38.180, 82.38.183, 82.38.190, 82.38.195, 82.38.200, 82.38.205, 82.38.210, 82.38.220, 82.38.230, 82.38.235, 82.38.245, 82.38.255, 82.38.260, 82.38.270, 82.38.275, 82.38.280, 82.38.290, 82.38.300, 82.38.310, 82.38.320, 82.38.360, 82.38.365, 82.38.370, 82.38.375, 82.38.380, and 82.38.385; providing an effective date; providing a contingent effective date; and providing a contingent expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec.**  RCW 82.08.020 and 2014 c 140 s 12 are each amended to read as follows:

(1) There is levied and collected a tax equal to six and five-tenths percent of the selling price on each retail sale in this state of:

(a) Tangible personal property, unless the sale is specifically excluded from the RCW 82.04.050 definition of retail sale;

(b) Digital goods, digital codes, and digital automated services, if the sale is included within the RCW 82.04.050 definition of retail sale;

(c) Services, other than digital automated services, included within the RCW 82.04.050 definition of retail sale;

(d) Extended warranties to consumers; and

(e) Anything else, the sale of which is included within the RCW 82.04.050 definition of retail sale.

(2) There is levied and collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) Beginning August 1, 2017, twenty percent of all revenue collected under subsection (1) of this section on each retail sale of a vehicle in this state, other than retail car rentals taxed under subsection (2) of this section, must be deposited in the motor vehicle fund. Every two years thereafter for ten years, the amount deposited in the motor vehicle fund under this subsection must be increased in increments of twenty percent. Beginning August 1, 2027, one hundred percent of the amount collected under this subsection must be deposited in the motor vehicle fund. All revenue collected under this subsection may only be used for highway purposes as defined in RCW 46.68.130. For the purposes of this subsection "highway purposes" also includes preservation.

(5) For purposes of subsections (3) and (4) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320 and "vehicle" has the meaning provided in RCW 46.04.670, but ((~~does~~)) the terms do not include:

(a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, unless the farm tractor or farm vehicle is for use in the production of marijuana;

(b) Off-road vehicles as defined in RCW 46.04.365;

(c) Nonhighway vehicles as defined in RCW 46.09.310; and

(d) Snowmobiles as defined in RCW 46.04.546.

((~~(5)~~)) (6) Beginning on December 8, 2005, 0.16 percent of the taxes collected under subsection (1) of this section must be dedicated to funding comprehensive performance audits required under RCW 43.09.470. The revenue identified in this subsection must be deposited in the performance audits of government account created in RCW 43.09.475.

((~~(6)~~)) (7) The taxes imposed under this chapter apply to successive retail sales of the same property.

((~~(7)~~)) (8) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

**Sec.**  RCW 82.38.030 and 2015 3rd sp.s. c 44 s 103 are each amended to read as follows:

(1) There is levied and imposed upon fuel licensees a tax at the rate of twenty-three cents per gallon of fuel.

(2) Beginning July 1, 2003, an additional and cumulative tax rate of five cents per gallon of fuel is imposed on fuel licensees. This subsection (2) expires when the bonds issued for transportation 2003 projects are retired.

(3) Beginning July 1, 2005, an additional and cumulative tax rate of three cents per gallon of fuel is imposed on fuel licensees.

(4) Beginning July 1, 2006, an additional and cumulative tax rate of three cents per gallon of fuel is imposed on fuel licensees.

(5) Beginning July 1, 2007, an additional and cumulative tax rate of two cents per gallon of fuel is imposed on fuel licensees.

(6) Beginning July 1, 2008, an additional and cumulative tax rate of one and one-half cents per gallon of fuel is imposed on fuel licensees.

(7) Beginning August 1, 2015, an additional and cumulative tax rate of seven cents per gallon of fuel is imposed on fuel licensees.

(8) Beginning July 1, 2016, an additional and cumulative tax rate of four and nine-tenths cents per gallon of fuel is imposed on fuel licensees.

(9) Taxes are imposed when:

(a) Fuel is removed in this state from a terminal if the fuel is removed at the rack unless the removal is by a licensed supplier or distributor for direct delivery to a destination outside of the state, or the removal is by a fuel supplier for direct delivery to an international fuel tax agreement licensee under RCW 82.38.320;

(b) Fuel is removed in this state from a refinery if either of the following applies:

(i) The removal is by bulk transfer and the refiner or the owner of the fuel immediately before the removal is not a licensed supplier; or

(ii) The removal is at the refinery rack unless the removal is to a licensed supplier or distributor for direct delivery to a destination outside of the state, or the removal is to a licensed supplier for direct delivery to an international fuel tax agreement licensee under RCW 82.38.320;

(c) Fuel enters into this state for sale, consumption, use, or storage, unless the fuel enters this state for direct delivery to an international fuel tax agreement licensee under RCW 82.38.320, if either of the following applies:

(i) The entry is by bulk transfer and the importer is not a licensed supplier; or

(ii) The entry is not by bulk transfer;

(d) Fuel enters this state by means outside the bulk transfer-terminal system and is delivered directly to a licensed terminal unless the owner is a licensed distributor or supplier;

(e) Fuel is sold or removed in this state to an unlicensed entity unless there was a prior taxable removal, entry, or sale of the fuel;

(f) Blended fuel is removed or sold in this state by the blender of the fuel. The number of gallons of blended fuel subject to tax is the difference between the total number of gallons of blended fuel removed or sold and the number of gallons of previously taxed fuel used to produce the blended fuel;

(g) Dyed special fuel is used on a highway, as authorized by the internal revenue code, unless the use is exempt from the fuel tax;

(h) Dyed special fuel is held for sale, sold, used, or is intended to be used in violation of this chapter;

(i) Special fuel purchased by an international fuel tax agreement licensee under RCW 82.38.320 is used on a highway; and

(j) Fuel is sold by a licensed fuel supplier to a fuel distributor or fuel blender and the fuel is not removed from the bulk transfer-terminal system.

(10)(a) This section expires on the date that the funds deposited into the motor vehicle fund under RCW 82.08.020(4) equal or exceed the funds deposited into the motor vehicle fund from the tax imposed under this section.

(b) The department must provide written notice of the expiration date of this section to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

**Sec.**  RCW 46.68.090 and 2015 3rd sp.s. c 44 s 105 are each amended to read as follows:

(1) All moneys that have accrued or may accrue to the motor vehicle fund from the fuel tax and/or the tax imposed under RCW 82.08.020(4) must be first expended for purposes enumerated in (a) and (b) of this subsection. The remaining net tax amount must be distributed monthly by the state treasurer in accordance with subsections (2) through (8) of this section.

(a) For payment of refunds of fuel tax that has been paid and is refundable as provided by law;

(b) For payment of amounts to be expended pursuant to appropriations for the administrative expenses of the offices of state treasurer, state auditor, and the department of licensing of the state of Washington in the administration of the fuel tax, which sums must be distributed monthly.

(2) All of the remaining net tax amount collected under RCW 82.38.030(1) must be distributed as set forth in (a) through (j) of this subsection.

(a) For distribution to the motor vehicle fund an amount equal to 44.387 percent to be expended for highway purposes of the state as defined in RCW 46.68.130;

(b)(i) For distribution to the special category C account, hereby created in the motor vehicle fund, an amount equal to 3.2609 percent to be expended for special category C projects. Special category C projects are category C projects that, due to high cost only, will require bond financing to complete construction.

(ii) The following criteria, listed in order of priority, must be used in determining which special category C projects have the highest priority:

(A) Accident experience;

(B) Fatal accident experience;

(C) Capacity to move people and goods safely and at reasonable speeds without undue congestion; and

(D) Continuity of development of the highway transportation network.

(iii) Moneys deposited in the special category C account in the motor vehicle fund may be used for payment of debt service on bonds the proceeds of which are used to finance special category C projects under this subsection (2)(b);

(c) For distribution to the Puget Sound ferry operations account in the motor vehicle fund an amount equal to 2.3283 percent;

(d) For distribution to the Puget Sound capital construction account in the motor vehicle fund an amount equal to 2.3726 percent;

(e) For distribution to the transportation improvement account in the motor vehicle fund an amount equal to 7.5597 percent;

(f) For distribution to the transportation improvement account in the motor vehicle fund an amount equal to 5.6739 percent and expended in accordance with RCW 47.26.086;

(g) For distribution to the cities and towns from the motor vehicle fund an amount equal to 10.6961 percent in accordance with RCW 46.68.110;

(h) For distribution to the counties from the motor vehicle fund an amount equal to 19.2287 percent: (i) Out of which there must be distributed from time to time, as directed by the department of transportation, those sums as may be necessary to carry out the provisions of RCW 47.56.725; and (ii) less any amounts appropriated to the county road administration board to implement the provisions of RCW 47.56.725(4), with the balance of such county share to be distributed monthly as the same accrues for distribution in accordance with RCW 46.68.120;

(i) For distribution to the county arterial preservation account, hereby created in the motor vehicle fund an amount equal to 1.9565 percent. These funds must be distributed by the county road administration board to counties in proportions corresponding to the number of paved arterial lane miles in the unincorporated area of each county and must be used for improvements to sustain the structural, safety, and operational integrity of county arterials. The county road administration board must adopt reasonable rules and develop policies to implement this program and to assure that a pavement management system is used;

(j) For distribution to the rural arterial trust account in the motor vehicle fund an amount equal to 2.5363 percent and expended in accordance with RCW 36.79.020.

(3) The remaining net tax amount collected under RCW 82.38.030(2) must be distributed to the transportation 2003 account (nickel account).

(4) The remaining net tax amount collected under RCW 82.38.030(3) must be distributed as follows:

(a) 8.3333 percent must be distributed to the incorporated cities and towns of the state in accordance with RCW 46.68.110;

(b) 8.3333 percent must be distributed to counties of the state in accordance with RCW 46.68.120; and

(c) The remainder must be distributed to the transportation partnership account created in RCW 46.68.290.

(5) The remaining net tax amount collected under RCW 82.38.030(4) must be distributed as follows:

(a) 8.3333 percent must be distributed to the incorporated cities and towns of the state in accordance with RCW 46.68.110;

(b) 8.3333 percent must be distributed to counties of the state in accordance with RCW 46.68.120; and

(c) The remainder must be distributed to the transportation partnership account created in RCW 46.68.290.

(6) The remaining net tax amount collected under RCW 82.38.030 (5) and (6) must be distributed to the transportation partnership account created in RCW 46.68.290.

(7) The remaining net tax amount collected under RCW 82.38.030 (7) and (8) must be distributed to the connecting Washington account created in RCW 46.68.395.

(8) Nothing in this section or in RCW 46.68.130 may be construed so as to violate any terms or conditions contained in any highway construction bond issues now or hereafter authorized by statute and whose payment is by such statute pledged to be paid from any excise taxes on fuel.

NEW SECTION. **Sec.**  The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective as of the date the contingency in RCW 82.38.020(10) occurs:

(1)RCW 46.68.080 (Refund of vehicle license fees and fuel taxes to island counties—Deposit of fuel taxes into Puget Sound ferry operations account) and 2013 c 225 s 644, 2010 c 161 s 1128, 2010 c 8 s 9081, 2006 c 337 s 12, & 1961 c 12 s 46.68.080;

(2)RCW 82.38.010 (Statement of purpose) and 2013 c 225 s 101, 1979 c 40 s 1, & 1971 ex.s. c 175 s 2;

(3)RCW 82.38.020 (Definitions) and 2013 c 225 s 102, 2002 c 183 s 1, 2001 c 270 s 4, 1998 c 176 s 50, 1995 c 287 s 3, 1994 c 262 s 22, 1988 c 122 s 1, 1979 c 40 s 2, & 1971 ex.s. c 175 s 3;

(4)RCW 82.38.030 (Tax imposed—Rate—Incidence—Allocation of proceeds—Expiration of subsection) and 2015 3rd sp.s. c 44 s 103, (2015 3rd sp.s. c 44 s 102 expired July 1, 2016), 2014 c 216 s 201, 2013 c 225 s 103, 2007 c 515 s 21, 2005 c 314 s 102, 2003 c 361 s 402, 2002 c 183 s 2, 2001 c 270 s 6, 1998 c 176 s 51, 1996 c 104 s 7, 1989 c 193 s 3, 1983 1st ex.s. c 49 s 30, 1979 c 40 s 3, 1977 ex.s. c 317 s 5, 1975 1st ex.s. c 62 s 1, 1973 1st ex.s. c 156 s 1, 1972 ex.s. c 135 s 2, & 1971 ex.s. c 175 s 4;

(5)RCW 82.38.031 (Tax imposed—Intent) and 2007 c 515 s 33;

(6)RCW 82.38.032 (Payment of tax by international fuel tax agreement licensees or persons operating under other reciprocity agreements) and 2013 c 225 s 104, 2007 c 515 s 22, & 1998 c 176 s 52;

(7)RCW 82.38.033 (Payment of tax by a nonlicensee) and 2013 c 225 s 208;

(8)RCW 82.38.035 (Tax liability) and 2013 c 225 s 105, 2007 c 515 s 23, 2005 c 314 s 107, 2003 c 361 s 405, 2001 c 270 s 7, & 1998 c 176 s 53;

(9)RCW 82.38.050 (Tax liability on leased motor vehicles) and 2013 c 225 s 106, 2007 c 515 s 24, 1990 c 250 s 82, 1983 c 242 s 1, & 1971 ex.s. c 175 s 6;

(10)RCW 82.38.055 (Bonding requirements) and 2013 c 225 s 201;

(11)RCW 82.38.060 (Tax computation on mileage basis) and 2013 c 225 s 107, 2013 c 23 s 332, 1996 c 90 s 1, 1989 c 142 s 1, & 1971 ex.s. c 175 s 7;

(12)RCW 82.38.065 (Dyed special fuel use—Authorization, license required—Imposition of tax) and 2013 c 225 s 108, 2002 c 183 s 3, & 1998 c 176 s 56;

(13)RCW 82.38.066 (Dyed special fuel—Requirements—Marking—Notice) and 2013 c 225 s 109 & 1998 c 176 s 57;

(14)RCW 82.38.072 (Dyed special fuel—Penalties) and 2013 c 225 s 204;

(15)RCW 82.38.075 (Natural gas, compressed natural gas, propane—Annual license fee in lieu of special fuel tax for use in motor vehicles—Schedule—Decal or other identifying device) and 2014 c 216 s 202, 2013 c 225 s 110, 1983 c 212 s 1, 1981 c 129 s 1, 1979 c 48 s 1, & 1977 ex.s. c 335 s 1;

(16)RCW 82.38.080 (Exemptions) and 2013 c 225 s 111, 2009 c 352 s 1, 2008 c 237 s 1, 1998 c 176 s 60, 1996 c 244 s 6, 1993 c 141 s 2, 1990 c 185 s 1, 1983 c 108 s 4, 1979 c 40 s 4, & 1973 c 42 s 1;

(17)RCW 82.38.090 (Penalty for acting without license—Separate licenses for separate activities—Interstate commerce—Exception) and 2013 c 225 s 112, 1998 c 176 s 61, 1995 c 20 s 13, 1994 c 262 s 23, 1993 c 54 s 6, 1991 c 339 s 6, 1990 c 250 s 84, 1986 c 29 s 2, 1979 c 40 s 5, & 1971 ex.s. c 175 s 10;

(18)RCW 82.38.100 (Special fuel trip permits—Penalty—Fees) and 2010 c 161 s 907;

(19)RCW 82.38.110 (Application for license—Federal certificate of registry—Investigation—Fee—Bond or security) and 2013 c 225 s 113, 2002 c 352 s 26, 2001 c 270 s 8, 1998 c 176 s 63, 1996 c 104 s 8, 1988 c 122 s 2, 1983 c 242 s 2, 1979 c 40 s 7, 1977 c 26 s 1, 1973 1st ex.s. c 156 s 4, & 1971 ex.s. c 175 s 12;

(20)RCW 82.38.120 (Issuance of license—Refusal) and 2013 c 225 s 114;

(21)RCW 82.38.140 (Fuel records—Reports—Inspection) and 2013 c 225 s 115, 2007 c 515 s 27, & 1998 c 176 s 66;

(22)RCW 82.38.150 (Periodic tax reports—Forms—Filing—Time extensions during state of emergency) and 2013 c 225 s 116, 2008 c 181 s 506, 2007 c 515 s 28, 1998 c 176 s 67, 1996 c 104 s 11, 1995 c 274 s 23, 1991 c 339 s 15, 1990 c 42 s 203, 1988 c 23 s 1, 1983 c 242 s 3, 1979 c 40 s 11, 1973 1st ex.s. c 156 s 6, & 1971 ex.s. c 175 s 16;

(23)RCW 82.38.160 (Computation and payment of tax—Remittance—Electronic funds transfer) and 2013 c 225 s 117, 2005 c 260 s 2, 1998 c 176 s 68, 1987 c 174 s 5, 1979 c 40 s 12, & 1971 ex.s. c 175 s 17;

(24)RCW 82.38.170 (Civil and statutory penalties and interest—Deficiency assessments) and 2013 c 225 s 118, 2002 c 183 s 4, 1998 c 176 s 70, 1996 c 104 s 12, 1995 c 274 s 24, 1994 c 262 s 25, 1991 c 339 s 7, 1987 c 174 s 6, 1983 c 242 s 4, 1979 c 40 s 13, 1977 c 26 s 3, 1973 1st ex.s. c 156 s 7, 1972 ex.s. c 138 s 3, & 1971 ex.s. c 175 s 18;

(25)RCW 82.38.180 (Refunds and credits) and 2013 c 225 s 119, 2007 c 515 s 29, 1998 c 176 s 71, 1972 ex.s. c 138 s 4, & 1971 ex.s. c 175 s 19;

(26)RCW 82.38.183 (Refund to aeronautics account) and 2013 c 225 s 207;

(27)RCW 82.38.190 (Claim of refund or credit) and 2013 c 225 s 120, 1998 c 176 s 74, 1997 c 183 s 10, 1996 c 91 s 4, 1979 c 40 s 14, 1973 1st ex.s. c 156 s 8, 1972 ex.s. c 138 s 5, & 1971 ex.s. c 175 s 20;

(28)RCW 82.38.195 (Date of mailing deemed date of filing or receipt—Timely mailing bars penalties and tolls statutory time limitations) and 2013 c 225 s 202;

(29)RCW 82.38.200 (Suits for recovery of taxes illegally or erroneously collected) and 1971 ex.s. c 175 s 21;

(30)RCW 82.38.205 (Injunctions—Writs) and 2013 c 225 s 206;

(31)RCW 82.38.210 (Tax lien—Filing) and 2013 c 225 s 121, 1998 c 176 s 75, 1979 c 40 s 15, & 1971 ex.s. c 175 s 22;

(32)RCW 82.38.220 (Delinquency—Notice to debtors—Transfer or disposition of property, credits, or debts prohibited—Lien—Answer) and 2013 c 225 s 122, 1998 c 176 s 76, 1994 c 262 s 26, 1983 c 242 s 5, 1979 c 40 s 16, & 1971 ex.s. c 175 s 23;

(33)RCW 82.38.230 (Delinquency—Seizure and sale of property—Notice—Distribution of excess) and 2013 c 225 s 123, 2007 c 218 s 78, 1998 c 176 s 77, 1979 c 40 s 17, & 1971 ex.s. c 175 s 24;

(34)RCW 82.38.235 (Assessments—Warrant—Lien—Filing fee—Writs of execution and garnishment) and 2013 c 225 s 124, 2001 c 146 s 14, 1998 c 176 s 78, & 1979 c 40 s 22;

(35)RCW 82.38.245 (Bankruptcy proceedings—Notice) and 2013 c 225 s 125 & 1997 c 183 s 9;

(36)RCW 82.38.255 (Discontinuance, sale, or transfer of business—Notice—Payment of taxes, interest, penalties) and 2013 c 225 s 203;

(37)RCW 82.38.260 (Administration and enforcement) and 2013 c 225 s 126, 1998 c 176 s 80, 1995 c 274 s 25, 1979 c 40 s 18, & 1971 ex.s. c 175 s 27;

(38)RCW 82.38.270 (Violations—Penalties) and 2013 c 225 s 127, 2007 c 515 s 30, 2003 c 358 s 14, 2000 2nd sp.s. c 4 s 10, 1995 c 287 s 4, 1979 c 40 s 19, 1977 c 26 s 4, & 1971 ex.s. c 175 s 28;

(39)RCW 82.38.275 (Investigatory power) and 2013 c 23 s 333 & 1979 c 40 s 20;

(40)RCW 82.38.280 (State preempts tax field) and 2013 c 225 s 128, 2010 c 106 s 231, 2003 c 350 s 6, 1991 c 173 s 5, 1990 c 42 s 205, 1979 ex.s. c 181 s 6, & 1971 ex.s. c 175 s 29;

(41)RCW 82.38.290 (Disposition of funds) and 2013 c 225 s 129 & 1971 ex.s. c 175 s 30;

(42)RCW 82.38.300 (Judicial review and appeals) and 1971 ex.s. c 175 s 31;

(43)RCW 82.38.310 (Agreement with tribe for fuel taxes) and 2013 c 225 s 130, 2007 c 515 s 31, & 1995 c 320 s 3;

(44)RCW 82.38.320 (Bulk storage of special fuel by international fuel tax agreement licensee—Authorization to pay tax at time of filing tax return—Schedule—Report—Exemptions) and 2013 c 225 s 131, 2007 c 515 s 32, & 1998 c 176 s 83;

(45)RCW 82.38.360 (Fuel tax evasion—Seizure and forfeiture) and 2013 c 225 s 132 & 2003 c 358 s 7;

(46)RCW 82.38.365 (Fuel tax evasion—Forfeiture procedure) and 2013 c 225 s 133 & 2003 c 358 s 8;

(47)RCW 82.38.370 (Fuel tax evasion—Forfeited property) and 2013 c 225 s 134 & 2003 c 358 s 9;

(48)RCW 82.38.375 (Fuel tax evasion—Return of seized property) and 2003 c 358 s 10;

(49)RCW 82.38.380 (Fuel tax evasion—Search and seizure) and 2013 c 225 s 135 & 2003 c 358 s 11; and

(50)RCW 82.38.385 (Rules) and 2013 c 225 s 136 & 2003 c 358 s 12.

NEW SECTION. **Sec.**  The department of revenue must provide written notice of the effective date of section 4 of this act to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

NEW SECTION. **Sec.**  Except for section 4 of this act, this act takes effect August 1, 2017.

**--- END ---**